

WHITE CITY WATER IMPROVEMENT DISTRICT

**Financial Statements
and
Report of Independent Certified Public Accountants**

December 31, 2006

Hansen, Bradshaw, Malmrose & Erickson

**A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS**

WHITE CITY WATER IMPROVEMENT DISTRICT

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
White City Water Improvement District
Sandy, UT

We have audited the accompanying basic financial statements of White City Water Improvement District as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis on our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of White City Water Improvement District as of December 31, 2006, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 23, 2007 on our consideration of White City Water Improvement District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 6, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the District's basic financial statements. The combining financial statements are presented for purposes of additional analysis are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

April 23, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

History of District

In December of 1993 the WHITE CITY WATER IMPROVEMENT DISTRICT was created as a political subdivision of Salt Lake County under section 17A-2-301 of Utah State Code. The district has the authority to levy taxes and issue bonds. The current board of trustees believe in cost based rates; therefore, we currently do not tax the district members. The district currently serves 4154 connections with an estimated population of 17,000.

This section of the White City Water Improvement District's (the District) annual financial report presents our analysis of the District's financial performance during the year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements and accompanying notes to enhance their understanding of the District's financial activities.

Financial Highlights:

- Revenues were up slightly due to hot and dry conditions in the summer months.
- In December of 2006 the District took advantage of historic low interest rates and refunded its 1997 G.O. Bonds of \$5,815,000. By doing this the District was able to realize savings with a net present value of \$626,370.
- Net Assets increased by \$580,437 due to conservative budgeting and tighter controls on operating expenses. The District also took several measures to cut costs of operations in 2006.
- Goodwill in the amount of 501,864 was taken off the books this year.

Overview of Financial Report:

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's analysis of the District's financial condition and performance.

The financial statements report information about the District using full accrual accounting methods as utilized by similar business activities in the private sector. They include a balance sheet; a statement of revenues, expenses and changes in net assets; a statement of cash flows; and notes to the financial statements. The balance sheet presents the financial position of the District on a full accrual historical cost basis. While the balance sheet provides information about the nature and amount of resources and obligations at year end, the statement of revenues, expenses and changes in net assets presents the results of business activities over the course of the year and information as to how the net assets changed during the year. The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, non-capital and related financing, capital and related financing, and investing activities. In other words, it provides information regarding where the cash came from and how it was used, and the change in cash balance during the reporting period. The notes to the financial statements provide required disclosures and other information that are essential to the full understanding of material data provided in the statements. The notes present information about the District's accounting

policies, significant account balances, obligations, commitments, contingencies and subsequent events, if any.

Over view of the financial statements:

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues and expenses and changes in net assets presents information showing how the District's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but not used vacation and sick leave).

The District maintains only one type of proprietary fund, it is an enterprise fund. White City Water Company is included in this fund as a component unit. Funds are grouping or related accounts that are used to control certain resources that have been segregated for specific activities or objectives. The District uses fund accounting to comply with finance related legal requirements.

Financial Analysis:

To begin our analysis, a summary of the District's balance sheet is presented in the schedule below. In this section we will discuss and analyze significant differences between years.

**White City Water Improvement District
Balance Sheet**

| | <u>2005</u> | <u>2006</u> |
|--|----------------------|---------------------|
| Current Assets | | |
| Current and Other Assets | \$ 7,222,729 | \$ 6,725,840 |
| Capital Assets-net | <u>6,912,097</u> | <u>7,010,926</u> |
| Total Assets | <u>\$14,134,826</u> | <u>\$13,736,766</u> |
| Current Liabilities | \$ 747,862 | \$ 610,309 |
| Non-current Liabilities | <u>11,944,677</u> | <u>11,605,597</u> |
| Total Liabilities | <u>\$12,692,539</u> | <u>\$12,215,906</u> |
| | <u>2005</u> | <u>2006</u> |
| Net Assets Invested in Capital Assets, Net of Related Debt | \$ 189,892 | \$ (54,754) |
| Net Assets Restricted | 691,884 | 599,483 |
| Net Assets Unrestricted | <u>560,511</u> | <u>976,131</u> |
| Total Net Assets | <u>\$ 1,442,287</u> | <u>\$ 1,520,860</u> |
| | | |
| Total Liabilities and Net Assets | <u>\$ 14,134,826</u> | <u>\$13,736,766</u> |

The balance sheet includes all of the District's assets and liabilities, and equity which is categorized as either invested in capital assets, net of related debt; restricted; or unrestricted. Net assets may serve as a useful indicator of a government's financial position. As can be seen from the schedule above, assets exceeded liabilities by \$1,520,860 at the end of the year. This represents an increase in net assets of \$580,437 for 2006. Investment in capital assets is \$(54,754), which reflects our investment in capital assets (e.g., land, buildings, water lines, and equipment), net of related debt. The District uses these capital assets in its daily operations; consequently, they are not available for future spending. An additional portion of the District's net assets, \$599,483 (39.4%) represents resources that are subject to external restrictions on how they may be used.

While the balance sheet shows the change in financial position of net assets, the summary of the District's statement of revenues, expenses and changes in net assets, provides information regarding the nature and source of these changes as seen in the following schedule. Net assets increased in 2006 by \$580,437 as a result of items mentioned in financial highlights.

White City Water Improvement District
Condensed Statement of Revenues, Expenses, and Changes in Net Assets

| | <u>2005</u> | <u>2006</u> |
|---------------------------------------|---------------------|---------------------|
| Operating Revenues | \$ 2,596,825 | \$ 2,712,568 |
| Non-operating Revenues | <u>46,916</u> | <u>66,682</u> |
| Total Revenues | <u>\$ 2,643,741</u> | <u>\$2,779,250</u> |
| Depreciation and Amortization Expense | \$ 284,573 | 301,738 |
| Other Operating Expense | 1,279,631 | 1,248,827 |
| Non-operating Expense | <u>840,640</u> | <u>648,248</u> |
| Total Expenses | <u>\$ 2,404,844</u> | <u>2,198,813</u> |
| Change in Net Assets | \$ 238,987 | 580,437 |
| Net Assets - Beginning of Year | <u>\$ 1,203,390</u> | <u>1,442,287</u> |
| Adjustments | | <u>(501,864)</u> |
| Net Assets - Ending of Year | <u>\$ 1,442,287</u> | <u>\$ 1,520,860</u> |

Operating revenues are up by 4% or an increase of \$115,743 over the prior year. This increase was due to new connections and hot weather. Non-operating revenues increased by \$19,766.

Capital Asset and Debt Administration:

Capital assets. The District's investment in capital assets as of December 31, 2006, amounts to \$7,010,923 (Net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer systems, and machinery and equipment. The District's investment in capital assets for the current fiscal year increased by 1.4% percent overall.

Major capital asset events during the current fiscal year included the following:

- Completion of 700 E 10" line replacement

- Security upgrades on well 3a
- System upgrades and improvements
- SCADA system and security improvements
- Purchase of a Fleet Vehicle
- Fencing of Tank Farm and Staging Yard
- Purchase of Land for future expansion of well #4

**Capital Assets
Net of Depreciation**

| | <u>2005</u> | <u>2006</u> |
|------------------------------------|---------------------|---------------------|
| Land | \$ 616,061 | \$ 616,061 |
| Buildings and improvements | 100,862 | 292,341 |
| Water wells and storage facilities | 3,459,711 | 3,272,504 |
| Supply and transition lines | 2,524,478 | 2,594,142 |
| Water meters and hydrants | 94,576 | 127,232 |
| Machinery and equipment | 107,797 | 101,199 |
| Office furniture and equipment | <u>8,612</u> | <u>7,444</u> |
| TOTAL | <u>\$ 6,912,097</u> | <u>\$ 7,010,923</u> |

Long-term debt. At the end of the current fiscal year, the District had total debt of \$11,625,000, of this amount \$7,020,000 comprises debt backed by the full faith and credit of the District and \$4,605,000 represents bonds secured solely by specified revenue sources. The District's long term debt decreased by \$345,000 during the current fiscal year.

Long-Term Debt

| | <u>2005</u> | <u>2006</u> |
|--------------------------|---------------------|---------------------|
| General obligation bonds | \$ 7,015,000 | \$ 7,020,000 |
| Water revenue bonds | <u>\$ 4,955,000</u> | <u>4,605,000</u> |
| TOTAL | <u>\$11,970,000</u> | <u>\$11,625,000</u> |

Final Comments:

This financial report is designed to provide taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Finance Manager of the White City Water Improvement District, 999 East Galena Drive, Sandy, Utah 84094 or by telephone (801) 571-3991.

WHITE CITY WATER IMPROVEMENT DISTRICT
Balance Sheet
December 31, 2006

ASSETS

Current assets:

Cash and cash equivalents:

 Unrestricted

\$ 1,266,587

 Restricted

599,483

Total cash and cash equivalents

1,866,070

Receivables:

 Customer accounts receivable

140,218

 Inventories

55,676

 Prepaid expenses

12,761

Total current assets

2,074,725

Capital assets (net of accumulated depreciation)

7,010,926

Water stock and water rights

3,389,801

Deposit in escrow

91,795

**Deferred bond issue costs (net of
accumulated amortization of \$192,199)**

1,169,519

Total noncurrent assets

11,662,041

Total assets

\$13,736,766

WHITE CITY WATER IMPROVEMENT DISTRICT
Balance Sheet (Continued)
December 31, 2006

LIABILITIES AND NET ASSETS

Liabilities:

Current liabilities:

| | |
|--|----------------|
| Accounts payable | \$ 28,704 |
| Accrued expenses | 9,396 |
| Accrued interest | 83,494 |
| Accrued compensated absences | 33,715 |
| Current maturities - general obligation bonds payable | 90,000 |
| Current maturities - revenue bonds payable | <u>365,000</u> |

Total current liabilities 610,309

Noncurrent liabilities:

| | |
|---|------------------|
| Bond issuance premium | 435,597 |
| General obligation bonds payable - net of current maturities | 6,930,000 |
| Revenue bonds payable - net of current maturities | <u>4,240,000</u> |

Total noncurrent liabilities 11,605,597

Total liabilities 12,215,906

Net assets:

| | |
|--|----------------|
| Invested in capital assets, net of related debt | (54,754) |
| Restricted | 599,483 |
| Unrestricted | <u>976,131</u> |

Total net assets 1,520,860

Total liabilities and net assets \$13,736,766

See the accompanying notes to the financial statements.

WHITE CITY WATER IMPROVEMENT DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2006

| | |
|---|---------------------------|
| Operating revenues: | |
| Water sales | \$2,647,031 |
| Cost of water sold | (40,270) |
| Net revenue from water sales | <u>2,606,761</u> |
| Service connections and other service fees | 9,040 |
| Penalty charges | 63,177 |
| Miscellaneous | <u>33,590</u> |
| Total net operating revenues | <u>2,712,568</u> |
| Operating expenses: | |
| Salaries and wages | 389,898 |
| Dues and memberships | 10,959 |
| Employee benefits | 93,162 |
| Payroll taxes | 12,305 |
| Contract services | 78,413 |
| Repairs and maintenance | 256,585 |
| Utilities and telephone | 275,641 |
| Insurance | 32,814 |
| Office supplies and postage | 36,754 |
| Travel | 21,001 |
| Accounting | 14,785 |
| Miscellaneous | 21,205 |
| Employee training | 5,305 |
| Depreciation expense | <u>301,738</u> |
| Total operating expenses | <u>1,550,565</u> |
| Net operating income (loss) | <u>1,162,003</u> |
| Non-operating revenues (expenses): | |
| Interest income | 66,682 |
| Interest expense | (551,120) |
| Amortization of bond issue costs | <u>(97,128)</u> |
| Total non-operating revenues (expense) | <u>(581,566)</u> |
| Change in net assets | <u>580,437</u> |
| Net assets, beginning of year, as previously reported | 1,442,287 |
| Adjustments to beginning net assets | <u>(501,864)</u> |
| Net assets, beginning of year as restated | <u>940,423</u> |
| Net assets, end of year | <u><u>\$1,520,860</u></u> |

See the accompanying notes to the financial statements.

WHITE CITY WATER IMPROVEMENT DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2006

| | |
|---|---------------------------|
| Cash flows from operating activities: | |
| Receipts from customers and users | \$2,778,369 |
| Payments for water | (1,753) |
| Payments to suppliers | (839,391) |
| Payments to employees | (483,502) |
| Net cash provided by operating activities | <u>1,453,723</u> |
| Cash flows from capital and related financing activities: | |
| Issuance of bonds and bond anticipation notes | 5,866,261 |
| Purchases of capital assets | (400,567) |
| Deposit held in escrow | 134,615 |
| Bond issue costs paid | (136,927) |
| Principal paid on bonds and bond anticipation notes | (6,160,000) |
| Interest paid on bonds | (702,047) |
| Net cash used in capital and related financing activities | <u>(1,398,665)</u> |
| Cash flows from investing activities: | |
| Interest received | <u>66,682</u> |
| Net cash provided by investing activities | <u>66,682</u> |
| Net increase (decrease) in cash and cash equivalents | 121,740 |
| Cash and cash equivalents - beginning of year | <u>1,744,330</u> |
| Cash and cash equivalents - end of year | <u><u>\$1,866,070</u></u> |
| Cash appears on the balance sheet as follows: | |
| Cash and cash equivalents - unrestricted | \$1,266,587 |
| Cash and cash equivalents - restricted | <u>599,483</u> |
| | <u><u>\$1,866,070</u></u> |

See the accompanying notes to the financial statements.

WHITE CITY WATER IMPROVEMENT DISTRICT
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2006

| | |
|--|---------------------------|
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$1,162,003 |
| Adjustments to reconcile operating income to net cash from operating activities: | |
| Depreciation | 301,738 |
| Change in operating assets and liabilities: | |
| (Increase) decrease in: | |
| Receivables | 25,531 |
| Inventory | (3,313) |
| Prepaid expenses | (269) |
| Increase (decrease) in: | |
| Accounts payable | (47,655) |
| Accrued expenses | 3,825 |
| Accrued compensated absences | <u>11,863</u> |
| Net cash provided by operating activities | <u><u>\$1,453,723</u></u> |

Non-cash investing, capital and financing activities:

The District recognized the amortization of bond issue costs in the amount of \$97,128 in 2006.

See the accompanying notes to the financial statements.

WHITE CITY WATER IMPROVEMENT DISTRICT
Notes to the Financial Statements
For the Year Ended December 31, 2006

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of White City Water Improvement District (the District) conform to generally accepted accounting principles as applicable to government units and are in accordance with established State of Utah legal restrictions as promulgated in the Fiscal Procedures Act. The following is a summary of the more significant policies.

Reporting Entity

In determining the reporting entity, the District applied the criteria of Statement No. 14 of the Government Accounting Standards Board. The underlying concept of Statement No. 14, is that the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria used for determining financial accountability is whether the District's board of the primary government can impose their will on the PCU and whether the PCU imposes a financial benefit or burden on the primary government. The District applied these criteria and concluded White City Water Company, a public utility corporation which is owned 100% by the District, should be reported as a blended component unit.

Financial Reporting Model

The District implemented a new financial reporting model in 2004, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Measurement Focus and Basis of Accounting

The District is an enterprise fund which is reported using the economic resources measurement focus and the accrual basis of accounting. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues are recognized when they are earned, expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

WHITE CITY WATER IMPROVEMENT DISTRICT
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2006

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

Inventories

The District maintains inventories of meters, repair parts and operating supplies. Inventories are stated at cost.

Capital Assets and Related Depreciation

Depreciation is computed on the straight-line method based on the estimated useful life of the assets ranging from 3 to 50 years. Maintenance and repairs are charged against income as incurred.

Amortization of Deferred Bond Issue Costs

Bond issuance costs are being amortized over the life of the bonds, or until the bonds are fully retired, on a straight-line method.

Income Taxes

The District is exempt from all federal and state income taxes as political division created by Utah State law.

Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Compensated Absences

District employees are granted vacation and sick leave in varying amounts. No more than 28 days of vacation can be carried over to the next year. Terminated employees are paid 25% of the current year's sick time accrued. Retired employees are paid 25% of their unused sick leave to be used for health insurance premiums or they can receive a 10% payout of unused sick leave. The cost of vacation and sick leave is recorded as a liability when earned.

Property Taxes

The District was created as a special taxing district and has the authority to tax the real property of property owners within the District. Currently, the District has elected not to collect property taxes.

Use of Estimates

Presenting financial statements in conformity with generally accepted accounting principles requires management to make certain estimates concerning assets, liabilities, revenues and expenses. Actual results may vary from these estimates.

WHITE CITY WATER IMPROVEMENT DISTRICT
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2006

2. DEPOSITS AND INVESTMENTS

Deposits and investments for the District are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council. As of December 31, 2006, \$235,865 of the District's bank balance of \$335,865 were uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities.

The Act authorizes investments in both negotiable and nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier: by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers acceptances; obligations of the United States Treasury including bills, notes and bonds, obligations, other than mortgage derivative products, issued by U.S. Government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

WHITE CITY WATER IMPROVEMENT DISTRICT
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2006

The District's investments at December 31, 2006 are presented below:

| <u>Investment Type</u> | <u>Investment Maturities (in years)</u> | | | | |
|---|---|---------------------------|----------------------|----------------------|----------------------|
| | <u>Fair Value</u> | <u>Less than 1</u> | <u>1-5</u> | <u>6-10</u> | <u>More Than 10</u> |
| Debt Securities: | | | | | |
| Utah Public Treasurer's Investment Fund | \$1,042,111 | \$1,042,111 | \$ --- | \$ --- | \$ --- |
| U.S. Treasuries | <u>497,607</u> | <u>497,607</u> | <u>---</u> | <u>---</u> | <u>---</u> |
| Total Debt Securities | <u>\$1,539,718</u> | <u>\$1,539,718</u> | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$ ---</u> |

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balances.

The District's debt investments ratings at December 31, 2006 are presented below:

| <u>Investment Type</u> | <u>Quality Ratings</u> | | | | |
|---|---------------------------|-------------------------|----------------------|----------------------|---------------------------|
| | <u>Fair Value</u> | <u>AAA</u> | <u>AA</u> | <u>A</u> | <u>Unrated</u> |
| Debt Securities: | | | | | |
| Utah Public Treasurer's Investment Fund | \$1,042,111 | \$ -- | \$ --- | \$ -- | \$1,042,111 |
| U.S. Treasuries | <u>497,607</u> | <u>497,607</u> | <u>---</u> | <u>---</u> | <u>---</u> |
| Total Debt Securities | <u>\$1,539,718</u> | <u>\$497,607</u> | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$1,042,111</u> |

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

WHITE CITY WATER IMPROVEMENT DISTRICT
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2006

3. ACQUISITION OF WHITE CITY WATER COMPANY

On February 13, 1995, the District purchased all of the outstanding stock of White City Water Company, a privately held registered public utility corporation, dba Lone Peak Water Company (Lone Peak), for the amount of \$6,636,000, which was deemed to be the fair market value of the stock. The net book value of assets and liabilities in the Company on February 13, 1995 was \$5,520,757. On this date, subsequent to the purchase of the Company, the Company transferred certain assets and liabilities to the District at net book value totaling \$1,367,854. The Company retained all of the water rights, well sites and water storage facilities, which had a net book value of \$4,152,903. The difference between the purchase price and the net book value of assets and liabilities in the Company on the date of purchase was recorded as goodwill, which totaled \$1,115,243. Goodwill was being amortized over twenty years. During 2006, the Company determined that goodwill should not have been recorded on the original acquisition and wrote off the unamortized balance of \$501,864 as a reduction of net assets at December 31, 2005.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | <u>\$ 616,061</u> | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$ 616,061</u> |
| Total capital assets, not being depreciated | <u>616,061</u> | <u>---</u> | <u>---</u> | <u>616,061</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 142,696 | 201,371 | --- | 344,067 |
| Office furniture and equipment | 126,905 | 1,750 | --- | 128,655 |
| Machinery and equipment | 487,307 | 24,585 | --- | 511,892 |
| Water wells and storage facilities | 4,795,526 | --- | --- | 4,795,526 |
| Supply and transmission lines | 3,194,392 | 134,615 | --- | 3,329,007 |
| Water meters and hydrants | <u>240,297</u> | <u>38,246</u> | <u>---</u> | <u>278,543</u> |
| Total capital assets being depreciated | <u>8,987,123</u> | <u>400,567</u> | <u>---</u> | <u>9,387,690</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 41,834 | 9,892 | --- | 51,726 |
| Office furniture and equipment | 118,293 | 2,918 | --- | 121,211 |
| Machinery and equipment | 379,510 | 31,183 | --- | 410,693 |
| Water wells and storage facilities | 1,335,815 | 187,204 | --- | 1,523,019 |
| Supply and transmission lines | 669,914 | 64,951 | --- | 734,865 |
| Water meters and hydrants | <u>145,721</u> | <u>5,590</u> | <u>---</u> | <u>151,311</u> |
| Total accumulated depreciation | <u>2,691,087</u> | <u>301,738</u> | <u>---</u> | <u>2,992,825</u> |
| Total capital assets being depreciated, net | <u>6,296,036</u> | <u>98,829</u> | <u>---</u> | <u>6,394,865</u> |
| Capital assets, net | <u>\$6,912,097</u> | <u>\$ 98,829</u> | <u>\$ ---</u> | <u>\$7,010,926</u> |

WHITE CITY WATER IMPROVEMENT DISTRICT
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2006

5. RESTRICTED ASSETS

Restricted assets consisted of amounts maintained by bond trustees as required by the 1997, 2001 and 2005 water bonds. Following is a summary of restricted assets at December 31, 2006:

| | |
|---|-------------------------|
| Restricted assets: | |
| 1997 G.O. Bond Fund | \$ 98,802 |
| 2001 Revenue Bond Fund | 360,281 |
| 2005 Revenue Bond Fund | <u>137,326</u> |
| Total restricted assets - maintained by trustee | 596,409 |
| Landscape/Site Improvement Bond | <u>3,074</u> |
| Total restricted assets | <u><u>\$599,483</u></u> |

6. LONG-TERM DEBT

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to purchase the White City Water Equity Investment. The original amount of general obligation bonds issued in current and prior years that were not defeased was \$5,815,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|---|-----------------------|---------------------------|
| General Obligation Water Refunding Bonds Series 1997 | 4.00 - 5.30% | \$ 30,000 |
| General Obligation Water Refunding Bond Series 2005 | 3.25 - 5.00% | 1,175,000 |
| General Obligation Water Refunding Bond Series 2006 | 3.70 - 5.00% | <u>5,815,000</u> |
| Total general obligation bonds payable | | 7,020,000 |
| Less: current maturities | | <u>90,000</u> |
| Total long-term general obligation bonds | | <u><u>\$6,930,000</u></u> |

WHITE CITY WATER IMPROVEMENT DISTRICT
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2006

6. LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|--------------------|--------------------|---------------------|
| 2007 | \$ 90,000 | \$ 195,866 | \$ 285,866 |
| 2008 | 115,000 | 283,111 | 398,111 |
| 2009 | 120,000 | 278,861 | 398,861 |
| 2010 | 305,000 | 270,911 | 575,911 |
| 2011 | 335,000 | 258,436 | 593,436 |
| 2012-2016 | 1,910,000 | 1,063,255 | 2,973,255 |
| 2017-2021 | 2,350,000 | 608,953 | 2,958,953 |
| 2022-2026 | 1,795,000 | 143,403 | 1,938,403 |
| | <u>\$7,020,000</u> | <u>\$3,102,796</u> | <u>\$10,122,796</u> |

Revenue Bonds

The District issued revenue bonds to provide funds for the acquisition and construction of major capital facilities and to purchase the White City Water Equity Investment. The original amount of revenue bonds issued in prior years that were not defeased was \$5,000,000. Revenue bonds currently outstanding are as follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|--|-----------------------|--------------------|
| Water Revenue and Refunding Bonds Series 2001 | 3.00 - 5.20% | \$1,330,000 |
| Water Revenue and Refunding Bonds Series 2005 | 3.25 - 5.00% | <u>3,275,000</u> |
| Total revenue bonds payable | | 4,605,000 |
| Less: current maturities | | <u>365,000</u> |
| Long-term revenue bonds payable | | <u>\$4,240,000</u> |

Annual debt service requirements to maturity for revenue bonds are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|--------------------|--------------------|--------------------|
| 2007 | \$ 365,000 | \$ 209,335 | \$574,335 |
| 2008 | 380,000 | 194,563 | 574,563 |
| 2009 | 395,000 | 178,759 | 573,759 |
| 2010 | 225,000 | 166,214 | 391,214 |
| 2011 | 235,000 | 214,138 | 449,138 |
| 2012-2016 | 1,325,000 | 624,750 | 1,949,750 |
| 2017-2021 | <u>1,680,000</u> | <u>260,000</u> | <u>1,940,000</u> |
| Total | <u>\$4,605,000</u> | <u>\$1,847,759</u> | <u>\$6,452,759</u> |

WHITE CITY WATER IMPROVEMENT DISTRICT
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2006

6. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---------------------------|------------------------------|--------------------|--------------------|---------------------------|
| Business-type activities: | | | | |
| Bonds payable: | | | | |
| General obligation bonds | \$ 7,015,000 | \$5,815,000 | \$5,810,000 | \$ 7,020,000 |
| Revenue bonds | <u>4,955,000</u> | <u>---</u> | <u>350,000</u> | <u>4,605,000</u> |
| Total bonds payable | <u>\$11,970,000</u> | <u>\$5,815,000</u> | <u>\$6,160,000</u> | <u>\$11,625,000</u> |

7. DEFEASED BONDS

On December 21, 2006, the District issued \$5,815,000 General Obligation Water Refunding Series 2006. The proceeds from these bonds, net of issuance costs of \$106,092, together with a re-offering premium of \$51,261 and previously held debt service reserve funds of \$115,515, were deposited into an irrevocable trust with an escrow agent. The total deposited with the escrow agent was \$5,875,684, which will be used to provide for the future debt payments of \$5,725,000 of 1997 General Obligation bonds. As a result, the total liability for these bonds have been removed from the District's books. The District realized an economic gain (difference between the present value of the old and new debt service payments) of \$628,371 from the refunding. The difference between the reacquisition price and the net carrying amount of the debt of \$548,296 is a deferred loss which was added to the unamortized bond issue costs and will be amortized through the year 2025.

WHITE CITY WATER IMPROVEMENT DISTRICT
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2006

8. RELATED PARTY TRANSACTIONS

Water Purchases and Facility Lease

The District has entered into a contract to purchase water from Lone Peak Water Company (a wholly owned company). The District purchased 3,140.25 acre feet of water during 2006, (2,755.65 acre feet in 2005), at a cost of \$1,099,464 (\$976,875 in 2005) under the agreement. The price of purchased water was \$345.75 per acre foot through June and \$353.13 through December. The agreement requires the company to supply the District water pumped from their wells on an as needed basis.

Operation and Maintenance Fee

In conjunction with the purchase of water and the leasing of storage facilities from Lone Peak, the District assesses Lone Peak a fee to operate and maintain the new sites and storage facilities and for water transportation. The amount assessed Lone Peak Water Company during 2006 was \$1,137,981 (\$989,129 in 2005).

Interfund Receivable and Payable

At December 31, 2006, Lone Peak Water Company owes the District \$557,709. The Water Company does not currently have the ability to pay this receivable without increasing the price of water sold to the District in future years or charging other fees.

9. EMPLOYEE RETIREMENT PLANS

White City Water District contributes to the Local Government Noncontributory Retirement System, which is a cost sharing multiple employer defined benefit pension plan, administered by the Utah Retirement Systems (Systems).

Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes, established and amended by the State Legislature.

WHITE CITY WATER IMPROVEMENT DISTRICT
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2006

9. EMPLOYEE RETIREMENT PLANS (CONTINUED)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling (800) 365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, the District contributed 11.09% from January through June and 11.59% from July through December 2006 of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute Chapter 49 and specified by the Board.

The District contributions to the Noncontributory Retirement System for the years ending December 31, 2006, 2005, and 2004 were \$33,118, \$33,171, and \$30,050 respectively. The contributions were equal to the required contributions for each year.

The District's full-time employees also participate in the 401(k) plan administered by the system. The 2006, 2005, and 2004 employee contributions to the 401(k) plan were \$12,870, \$11,456 and \$11,057, respectively. The 2006, 2005, and 2004 District contributions to the 401 (k) plan were \$-0-, \$4,729, and \$8,937, respectively.

10. COMMITMENTS

The District has entered into a long-term contract (perpetual) with the Jordan Valley Water Conservancy District to purchase a minimum of 100 acre feet of water annually. The contract can be modified by mutual consent of the parties. The District purchased 100 acre feet at a net cost of \$29,323 in 2006 (100 acre feet purchased in 2005). The rate charged by Jordan Valley Water Conservancy District was \$288.23 per acre foot from January through March, \$360.29 from April to June, and \$288.23 for July through December.

11. SUBSEQUENT EVENT

On April 12, 2007, the District issued \$4,830,000 in water revenue bonds, series 2007, at an interest rate of 4.00 - 4.50%. Proceeds are for the replacement of approximately 4 miles of water distribution lines, new water meters, the drilling of a new well, and other capital projects within the District.

WHITE CITY WATER IMPROVEMENT DISTRICT
Combining Balance Sheet
December 31, 2006

| <u>ASSETS</u> | <u>Water District</u> | <u>Water Company</u> | <u>Total</u> |
|---|----------------------------|---------------------------|----------------------------|
| Current assets: | | | |
| Cash and cash equivalents: | | | |
| Unrestricted | \$ 1,254,179 | \$ 12,408 | \$ 1,266,587 |
| Restricted | <u>599,483</u> | <u>---</u> | <u>599,483</u> |
| Total cash and cash equivalents | 1,853,662 | 12,408 | 1,866,070 |
| Receivables: | | | |
| Customer accounts receivable | 140,218 | --- | 140,218 |
| Interfund | 557,709 | (557,709) | --- |
| Inventories | 55,676 | --- | 55,676 |
| Prepaid expenses | <u>12,761</u> | <u>---</u> | <u>12,761</u> |
| Total current assets | <u>2,620,026</u> | <u>(545,301)</u> | <u>2,074,725</u> |
| Capital assets (net of accumulated depreciation) | 6,908,008 | 102,918 | 7,010,926 |
| Water stock and water rights | 163 | 3,389,638 | 3,389,801 |
| Deposit in escrow | 91,795 | --- | 91,795 |
| Deferred bond issue costs (net of accumulated amortization of \$192,199) | <u>1,169,519</u> | <u>---</u> | <u>1,169,519</u> |
| Total noncurrent assets | <u>8,169,485</u> | <u>3,492,556</u> | <u>11,662,041</u> |
| Total assets | <u><u>\$10,789,511</u></u> | <u><u>\$2,947,255</u></u> | <u><u>\$13,736,766</u></u> |

WHITE CITY WATER IMPROVEMENT DISTRICT
Combining Balance Sheet (Continued)
December 31, 2006

LIABILITIES AND NET ASSETS

| Liabilities: | <u>Water District</u> | <u>Water Company</u> | <u>Total</u> |
|---|---------------------------|--------------------------|---------------------|
| Current liabilities: | | | |
| Accounts payable | \$ 28,704 | \$ --- | \$ 28,704 |
| Accrued expenses | 9,396 | --- | 9,396 |
| Accrued interest | 83,494 | --- | 83,494 |
| Accrued compensated absences | 33,715 | --- | 33,715 |
| Current maturities - general obligation bonds payable | 90,000 | --- | 90,000 |
| Current maturities - revenue bonds payable | <u>365,000</u> | <u>---</u> | <u>365,000</u> |
| Total current liabilities | <u>610,309</u> | <u>---</u> | <u>610,309</u> |
| Noncurrent liabilities: | | | |
| Bond issuance premium | 435,597 | --- | 435,597 |
| General obligation bonds payable - net of current maturities | 6,930,000 | --- | 6,930,000 |
| Revenue bonds payable - net of current maturities | <u>4,240,000</u> | <u>---</u> | <u>4,240,000</u> |
| Total noncurrent liabilities | <u>11,605,597</u> | <u>---</u> | <u>11,605,597</u> |
| Total liabilities | <u>12,215,906</u> | <u>---</u> | <u>12,215,906</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | (3,547,310) | 3,492,556 | (54,754) |
| Restricted | 599,483 | --- | 599,483 |
| Unrestricted | <u>1,521,432</u> | <u>(545,301)</u> | <u>976,131</u> |
| Total net assets | <u>(1,426,395)</u> | <u>2,947,255</u> | <u>1,520,860</u> |
| Total liabilities and net assets | <u>\$10,789,511</u> | <u>\$2,947,255</u> | <u>\$13,736,766</u> |

WHITE CITY WATER IMPROVEMENT DISTRICT
Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2006

| | Water District | Water Company | Total |
|---|------------------------------|---------------------------|---------------------------|
| Operating revenues: | | | |
| Water sales | \$2,647,031 | \$ --- | \$2,647,031 |
| Cost of water sold | (1,139,734) | 1,099,464 | (40,270) |
| Net revenue from water sales | 1,507,297 | 1,099,464 | 2,606,761 |
| Operation and maintenance fee | 1,137,981 | (1,137,981) | --- |
| Service connections and other service fees | 9,040 | --- | 9,040 |
| Penalty charges | 63,177 | --- | 63,177 |
| Miscellaneous | 33,590 | --- | 33,590 |
| Total net operating revenues | <u>2,751,085</u> | <u>(38,517)</u> | <u>2,712,568</u> |
| Operating expenses: | | | |
| Salaries and wages | 389,898 | --- | 389,898 |
| Dues and memberships | 10,959 | --- | 10,959 |
| Employee benefits | 93,162 | --- | 93,162 |
| Payroll taxes | 12,305 | --- | 12,305 |
| Contract services | 54,365 | 24,048 | 78,413 |
| Repairs and maintenance | 256,585 | --- | 256,585 |
| Utilities and telephone | 275,641 | --- | 275,641 |
| Insurance | 32,814 | --- | 32,814 |
| Office supplies and postage | 36,754 | --- | 36,754 |
| Travel | 21,001 | --- | 21,001 |
| Accounting | 14,785 | --- | 14,785 |
| Miscellaneous | 18,329 | 2,876 | 21,205 |
| Employee training | 5,305 | --- | 5,305 |
| Depreciation expense | 285,091 | 16,647 | 301,738 |
| Total operating expenses | <u>1,506,994</u> | <u>43,571</u> | <u>1,550,565</u> |
| Net operating income (loss) | <u>1,244,091</u> | <u>(82,088)</u> | <u>1,162,003</u> |
| Non-operating revenues (expenses): | | | |
| Interest income | 66,681 | 1 | 66,682 |
| Interest expense | (551,120) | --- | (551,120) |
| Amortization of bond issue costs | (97,128) | --- | (97,128) |
| Total non-operating revenues (expense) | <u>(581,567)</u> | <u>1</u> | <u>(581,566)</u> |
| Change in net assets | <u>662,524</u> | <u>(82,087)</u> | <u>580,437</u> |
| Net assets, beginning of year, as previously reported | (2,088,919) | 3,531,206 | 1,442,287 |
| Adjustments to beginning net assets | --- | (501,864) | (501,864) |
| Net assets, beginning of year as restated | <u>(2,088,919)</u> | <u>3,029,342</u> | <u>940,423</u> |
| Net assets, end of year | <u><u>(\$ 1,426,395)</u></u> | <u><u>\$2,947,255</u></u> | <u><u>\$1,520,860</u></u> |

WHITE CITY WATER IMPROVEMENT DISTRICT
Combining Statement of Cash Flows
For the Year Ended December 31, 2006

| | Water District | Water Company | Total |
|--|---------------------------|-------------------------|---------------------------|
| Cash flows from operating activities: | | | |
| Receipts from customers and users | \$2,778,369 | \$ --- | \$2,778,369 |
| Payments for water | (1,753) | --- | (1,753) |
| Payments to suppliers | (759,953) | (79,438) | (839,391) |
| Payments to employees | (483,502) | --- | (483,502) |
| Net cash provided (used) by operating activities | <u>1,533,161</u> | <u>(79,438)</u> | <u>1,453,723</u> |
| Cash flows from capital and related financing activities: | | | |
| Issuance of bonds and bond anticipation notes | 5,866,261 | --- | 5,866,261 |
| Purchases of capital assets | (400,567) | --- | (400,567) |
| Deposit held in escrow | 134,615 | --- | 134,615 |
| Bond issue costs paid | (136,927) | --- | (136,927) |
| Principal paid on bonds and bond anticipation notes | (6,160,000) | --- | (6,160,000) |
| Interest paid on bonds | (702,047) | --- | (702,047) |
| Net cash used in capital and related financing activities | <u>(1,398,665)</u> | <u>---</u> | <u>(1,398,665)</u> |
| Cash flows from investing activities: | | | |
| Intercompany advances | (79,098) | 79,098 | --- |
| Interest received | <u>66,681</u> | <u>1</u> | <u>66,682</u> |
| Net cash provided by (used in) investing activities | <u>(12,417)</u> | <u>79,099</u> | <u>66,682</u> |
| Net increase (decrease) in cash and cash equivalents | 122,079 | (339) | 121,740 |
| Cash and cash equivalents - beginning of year | <u>1,731,583</u> | <u>12,747</u> | <u>1,744,330</u> |
| Cash and cash equivalents - end of year | <u><u>\$1,853,662</u></u> | <u><u>\$ 12,408</u></u> | <u><u>\$1,866,070</u></u> |
| Cash appears on the balance sheet as follows: | | | |
| Cash and cash equivalents - unrestricted | \$1,254,179 | \$ 12,408 | \$1,266,587 |
| Cash and cash equivalents - restricted | <u>599,483</u> | --- | <u>599,483</u> |
| | <u><u>\$1,853,662</u></u> | <u><u>\$ 12,408</u></u> | <u><u>\$1,866,070</u></u> |

WHITE CITY WATER IMPROVEMENT DISTRICT
Combining Statement of Cash Flows (Continued)
For the Year Ended December 31, 2006

| | <u>Water District</u> | <u>Water Company</u> | <u>Total</u> |
|---|---------------------------|--------------------------|--------------------|
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income (loss) | \$1,244,091 | (\$82,088) | \$1,162,003 |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | | | |
| Depreciation | 285,091 | 16,647 | 301,738 |
| Change in operating assets and liabilities: | | | |
| (Increase) decrease in: | | | |
| Receivables | 25,531 | --- | 25,531 |
| Inventory | (3,313) | --- | (3,313) |
| Prepaid expenses | (269) | --- | (269) |
| Increase (decrease) in: | | | |
| Accounts payable | (33,658) | (13,997) | (47,655) |
| Accrued expenses | 3,825 | --- | 3,825 |
| Accrued compensated absences | <u>11,863</u> | <u>---</u> | <u>11,863</u> |
| Net cash provided (used) by operating activities | <u>\$1,533,161</u> | <u>(\$79,438)</u> | <u>\$1,453,723</u> |

Non-cash investing, capital and financing activities:

The District recognized the amortization of bond issue costs in the amount of \$97,128 in 2006.

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
White City Water Improvement District

We have audited the financial statements of White City Water Improvement District as of and for the year ended December 31, 2006, and have issued our report thereon dated April 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether White City Water Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered White City Water Improvement District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the board of trustees, management and Utah State Auditor's office and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

April 23, 2007

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE WITH APPLICABLE UTAH STATE LAWS AND REGULATIONS

Board of Trustees
White City Water Improvement District

We have audited the financial statements of White City Water Improvement District for the year ended December 31, 2006, and have issued our report thereon dated April 23, 2007. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Other General Issues

Purchasing Requirements
Special Districts

The District did not receive any major or nonmajor State grants during the year ended December 31, 2006.

The Management of White City Water Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, White City Water Improvement District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

This report is intended solely for the information of management and the Utah State Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

April 23, 2007